



Insight

Paid Leave and Female Labor Force Participation in the United States and Europe

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Executive Summary

- The Biden Administration's American Families Plan would create a national paid family and medical leave program, which supporters of the plan claim would substantially increase female labor force participation—an assertion that is widely cited but rarely substantiated.
- Data from European countries that have implemented country-wide paid-leave programs do not support the argument that a state-sponsored paid-leave system increases female labor force participation.
- There have also been attempts to create paid leave programs in the United States at the state level, but since the creation of these programs, female labor force participation has not seen significant change.

Introduction

Paid family and medical leave, which provides individuals the flexibility to care for their families while remaining employed, has become more common over the last several years. Many companies have chosen to offer paid leave as a way to attract and retain talent, and numerous states have passed legislation offering some form of paid leave. At the federal level, several different plans have been introduced, some incentivizing expansion of paid-leave programs and others focused on mandating nationwide paid leave. For its part, the Biden Administration has voiced support for a universal paid-leave system and proposed such a system in the American Families Plan (AFP) that would offer 12 weeks of paid leave at up to 80 percent of wage replacement, up to \$4,000 per month. This proposal is similar to previous proposals out of Congress such as the Family and Medical Insurance Leave (FAMILY) Act.

A central argument for a mandated [nationwide paid leave](#) program is that female labor force participation and attachment will improve due to a more flexible system brought about by universal paid leave. Advocates [cite](#) the example of Europe and other developed countries as proof of this relationship between female labor-force participation and more generous paid leave. While the [benefits of paid leave](#) are well-documented, the claim that nationwide paid family leave increases female labor force participation is widely cited but rarely substantiated. The evidence does not bear out this relationship. Countries with generous paid-leave policies as well as U.S. states with such programs do not obviously have higher female participation in the labor force, suggesting any link between paid leave policies and female workers is weak at best.

European Paid Leave

The United States is the only country in the Organization for Economic Co-operation and Development (OECD) that does not have national government-mandated paid leave. Many advocates for a U.S. government-mandated paid leave program point to European programs as a model. Such programs across Europe vary, with the most generous offering up to [86 weeks](#) of parental leave. Table 1 below uses OECD data to compare different regions of Europe and two different measures of female engagement with the labor force.

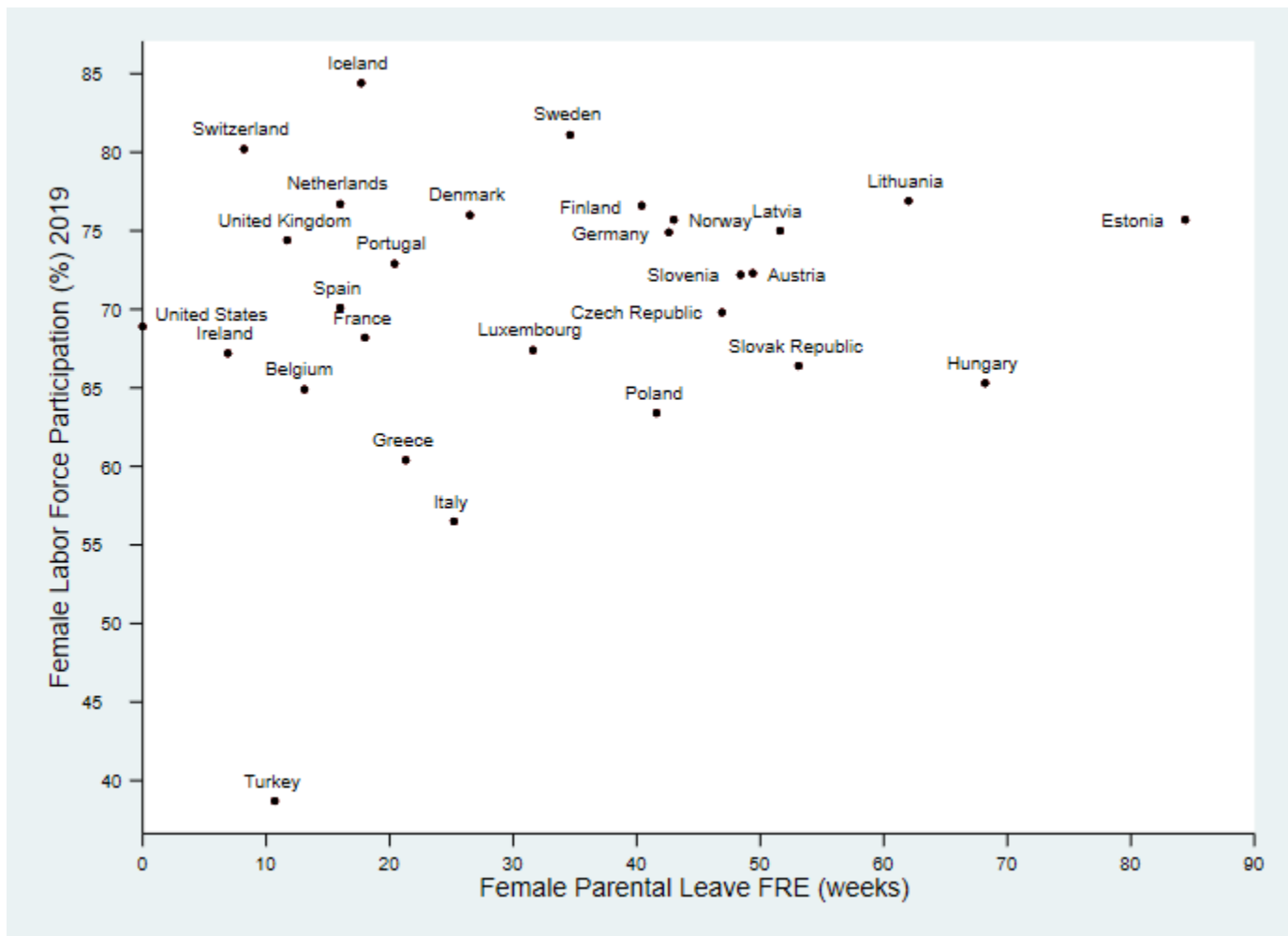
Table 1: Paid Leave and Female Labor Force Participation

*Region	**Mandated Female Paid Parental Leave (Weeks)	Female Labor Force Participation (%)	Female Managers (%)
Western Europe	44.1	72.1	30.6
Eastern Europe	25.6	60.7	30.2
Northern Europe	37.9	76.3	36.6
Southern Europe	26.3	66.4	31.8
United States	0	68.9	40.7

**To account for regional differences and European countries were grouped into 4 sub-regions using the [United Nations classifications](#). Specific countries and their respective female labor force participation rates can be found in the appendix.*

***Length of parental leave is converted into the full rate equivalent (the length of paid leave if wage replacement rate is 100 percent)*

As Table 1 shows, there does not seem to be a clear connection between number of paid weeks of leave offered and female labor force participation, even after accounting for regional differences by subdividing Europe. There are, of course, different labor force participation outcomes among countries, but even when the countries are looked at individually (see appendix and chart below), the amount of leave offered does not obviously translate to higher female labor force participation.



Note: Length of parental leave is converted into the full rate equivalent (FRE), the length of paid leave if wage replacement rate is 100 percent.

The European system of benefits, which typically includes childcare subsidies and medical care not tied to employment, certainly has some effect on labor force participation and may allow mothers in particular to participate in the labor force. Paid leave however, is being credited as a means to unilaterally shift labor force participation in a way these other programs are not.

As the data show, the effect of generous paid leave programs seems minimal at best. The United States currently offers no government-supported or mandated paid leave, and its female labor force participation is well within the range of normal for Europe. Countries with the most similar rate of female labor force participation (within 2 percentage points) vary significantly in the amount of paid leave they offer. Ireland, for example, offers 6.9 weeks of paid leave and female labor force participation of 67.2 percent, while the Czech Republic offers 46.9 weeks of paid leave and has female labor force participation of 69.8 percent. While U.S. female labor force participation could be improved, it does not appear to be lagging behind our European counterparts. Therefore replicating a more robust state-sponsored system of paid leave cannot be justified on these grounds.

A different point of the paid leave conversation involves the ways women are involved in the labor force. OECD data indicate there is a slightly higher concentration of female managers in the United States than in Europe. This fact could be due to women staying in the labor force longer, working more hours, or working full-time over part-time. Given that more generous paid leave likely means women would be absent for longer periods of time, it's understandable that women either choose to not pursue management positions or employers

choose not to place women in those positions because the nature of the job requires a more reliable and potentially uninterrupted presence in the workforce.

State-level Paid Leave

Some U.S. states have been experimenting with state-wide paid family leave. These programs vary in structure, financing mechanism, wage replacement, duration, and eligibility. Few of the states that have passed paid leave legislation currently have fully operational programs, as Table 2 indicates, so it is challenging to evaluate how much effect, if any, paid leave has had on workers.

Table 2: State-level Paid Leave

State	Effective Year
California	2004
Colorado	2024 (expected)
Connecticut	2021/2022(expected)
Washington, DC	2020
Massachusetts	2019
New Jersey	2009
New York	2018
Oregon	2023 (expected)
Rhode Island	2014
Washington	2019

In states that enacted paid-leave legislation prior to 2018, any effect on female labor force participation is minimal if at all existent. California, for example, began its paid leave program in 2004 when the state's female participation stood at 57.6 percent. Since then, female labor force participation has fallen to 55.2 percent. Research found that the state's paid leave, which increased the average duration of leave also reduced the employment and wages of new mothers. Similar results may be found looking at the other states with paid-leave programs. California, New Jersey, and New York all saw a slight dip in female labor force participation the year after their paid leave programs went into effect, while Rhode Island saw a slight increase. All the states below saw a net decrease in female labor force participation from the year their programs went into effect to 2019.

Table 3: Female Labor Force Participation in States with Paid Leave Policies (%)

	CA	NJ	NY	RI
2000	59.1	58.4	56.1	60.6
2001	58.9	58.7	55.5	60.8
2002	58.8	59.5	56.6	59.6

2003	58.1	59.2	56.4	63.0
2004	57.6	58.4	56.2	61.7
2005	57.1	58.2	56.5	62.6
2006	56.7	58.7	57.3	63.0
2007	57.2	58.6	56.3	63.2
2008	57.7	60.2	56.9	62.0
2009	57.7	60.8	57.3	62.6
2010	57.0	59.6	57.1	63.7
2011	56.0	59.8	56.1	62.7
2012	55.7	59.7	55.7	61.6
2013	55.6	58.5	56.4	60.2
2014	55.5	57.0	54.8	60.0
2015	55.0	56.9	55.1	61.2
2016	54.6	56.9	55.3	60.0
2017	55.3	57.6	56.0	59.7
2018	55.4	57.0	55.7	59.8
2019	55.2	59.1	55.1	58.4

Note: The year the policy went into effect is bolded and underlined.

Source: Bureau of Labor Statistics

It is important to note that between 2000 and 2019, female labor force participation declined nationally, dropping 2.2 percentage points. Even California, with its established paid-leave program for over 15 years, did not have a noticeably different outcome than the rest of the country. Hinging significant improvements in female labor force participation on the creation of paid leave programs therefore does not appear to be an effective strategy. There are certainly other factors affecting female labor force participation, including childcare availability, take up of paid-leave programs, and economic fluctuations, but the fact that states with existing paid-leave policies are not generally seeing relatively higher female labor force participation rates suggests a nationwide program would not have the effect proponents argue it would.

Conclusion

Supporters of a national paid-leave program point to the alleged success of European paid-leave programs, claiming that one of the primary benefits of paid leave is increased female labor force participation. European countries with generous paid-leave programs do not have significantly higher rates of female labor force participation than those with more conservative programs or than the United States. Further, when looking at state-level paid-leave programs, there is also scant evidence to support the assertion that generous paid leave increases female labor force participation. If a stated policy goal is to improve labor force attachment and participation for women, creating a nationwide paid-leave system cannot be the only answer.

Appendix:

European Paid Leave Programs and Female Labor Force Participation

Country	Female Labor Force Participation 2019 (%)	Female Parental Leave FRE* (weeks)
Austria	72.3	49.4
Belgium	64.9	13.1
Czech Republic	69.8	46.9
Denmark	76.0	26.5
Estonia	75.7	84.4
Finland	76.6	40.4
France	68.2	18
Germany	74.9	42.6
Greece	60.4	21.3
Hungary	65.3	68.2
Iceland	84.4	17.7
Ireland	67.2	6.9
Italy	56.5	25.2
Latvia	75.0	51.6
Lithuania	76.9	62
Luxembourg	67.4	31.6
Netherlands	76.7	16
Norway	75.7	43

Poland	63.4	41.6
Portugal	72.9	20.4
Slovak Republic	66.4	53.1
Slovenia	72.2	48.4
Spain	70.1	16
Sweden	81.1	34.6
Switzerland	80.2	8.2
Turkey	38.7	10.7
United Kingdom	74.4	11.7
United States	68.9	0

**Length of parental leave is converted into the full rate equivalent (FRE), the length of paid leave if wage replacement rate is 100 percent.*

Source: Income Distribution Database (oecd.org)